
From: Charles Nolan
Sent: Wednesday, January 08, 2020 10:22 AM
To: 'Mike Wallace' <mikewallace.houston@gmail.com>
Cc: 'Lee Mayberry' <lwmayberry@hotmail.com>; 'Ted Bertele' <TBERTELE@msn.com>
Subject: RE: FW: Insurance Invoices

Hi Mike:

Vin Scully had a great line: "Never start a story if there are two outs on the board." I note this because Jules also said they are required to document every phone call and that they had no record of your conversation.

I look forward to reviewing Jessica Miller's invoices, which you promised to forward.
Charlie

From: Mike Wallace [<mailto:mikewallace.houston@gmail.com>]
Sent: Tuesday, January 07, 2020 7:58 AM
To: Charles Nolan
Cc: Lee Mayberry <lwmayberry@hotmail.com>; Ted Bertele <TBERTELE@msn.com>
Subject: Re: FW: Insurance Invoices

Charlie,

to my recollection, no written notice was received, only verbal telephone conversations. If Leavitt Group was able to find any underwriters to provide a GL quote, we would have used the same agent to secure both D&O and liability coverage. So obviously there was a valid reason why the previous agent, Leavitt Group, was unable to find underwriting for liability coverage.

Regardless Charlie, we seem to be going down into another black hole on this issue, which serves no real purpose, except to waste time and defer from more important matters. As I previously stated, I will solicit new bids for liability and D&O insurance to see if the HOA can reduce the annual premiums and perhaps increase the liability coverage amount at the same time. Therefore regurgitating the past into a "he said, she said", document producing exercise is superfluous.

Thanks for your interest and for checking with your insurance agent on the D&O quote and the increased liability coverage at a marginal increase in premium. We will act accordingly.

Regards, Mike

On Mon, Jan 6, 2020 at 5:15 PM Charles Nolan wrote:

Hi Mike:

“the State Farm agent never discussed a reserve balance but Leavitt Group did”

I just spoke with Jules at Leavitt Group. She said that if an insurance carrier required a bump in the reserve balance, they would have to notify the client in writing. And since she has no record of this demand, she advised that I ask you for a copy of this notice. Therefore, I respectfully request a copy of the written notice that you received from the Leavitt Group regarding this demand.

Thanks,

Charlie

From: Mike Wallace [mailto:mikewallace.houston@gmail.com]
Sent: Friday, January 03, 2020 9:21 AM
To: Charles Nolan
Cc: Lee Mayberry <lwmayberry@hotmail.com>; Ted Bertele <TBERTELE@msn.com>
Subject: Re: FW: Insurance Invoices

Charlie,

You are correct, the D&O coverage amount was mistakenly omitted in the budget but will be included in the future. I accept the blame for the omission, but let's try to remember that the budget is purely an estimate of expenses, not actual expenses.

INSURANCE - We can go out and request additional insurance quotes in 2020 to see if there are more favorable rates available, but I suspect the higher rates are a composite of several issues such as: lapse in the previous policy coverage, location, population density, and potential threat of fire damage, new client, and other items that effect the actuarial tables for RR HOA. Also the State Farm agent never discussed a reserve balance but Leavitt Group did, and that's why they were unable to find an acceptable GL policy underwriting. That was their comment, not mine.

RESERVE - As to raising the dues to build a reasonable reserve, that matter is not strictly related to the cost of insurance or legal fees as those costs are operating costs. Increasing the reserves are to cover any unexpected capital expense in the development without needing to have a Special Assessment. It really serves no purpose to compare RR HOA to another HOA because the age, needs, and risk profile are totally different. Although I did find it interesting when I reviewed the Forest Ridge Covenants that they also stipulate the same wording on budget approval as our Covenants..... whereby unless 67% of the owners (regardless whether a quorum is present) affirmatively vote against approving the proposed budget, the proposed budget shall be deemed ratified by the association.

DUES - The Board will discuss the merits of conducting a Reserve Study in 2020 and perhaps it will be a topic for the HOA annual meeting in April. This would be a study to evaluate the age of equipment and project development within the community, their replacement cost, their deterioration, and then assess what our reserve balance should be. Just the fact that our gate mechanism and the electronic system fails frequently and often, I believe the replacement cost would far outstrip our current reserve balance.

So thank you for the insurance suggestions and reserve balance comments. As always, we will consider and evaluate in conjunction with the approved budget and new assessment fees on behalf of the HOA.

Regards,

Mike

On Fri, Jan 3, 2020 at 3:43 AM Charles Nolan wrote:

Just thought of this: The BOD budgeted \$1000 for insurance when our actual cost is \$1869:

D&O = \$878 (\$1 million)

GL = \$991 (\$1 million)

Total = \$1869

By comparison, in Forest Ridge we pay \$625 (total) for \$2 million GL and \$1 million D&O. And we only have \$10k in reserve.

Charlie

From: Charles Nolan
Sent: Thursday, January 02, 2020 7:38 PM
To: 'Mike Wallace' <mikewallace.houston@gmail.com>
Subject: RE: Insurance Invoices

Mike,

Thank you for this.

I don't see where we paid \$878 for insurance in 2018, as that invoice was not due until 1-3-2019.

And I spoke with Jack. He denied that State Farm advised the HOA to boost its reserve. He said, "That's crazy. That has nothing to do with State Farm. . . Tell them to send me whatever docs they have because they're misinterpreting something." So I urge you to follow up. If you're going to raise the dues, it would be nice to know the reason. (303) 838-0100 <jack.ciudaj.bzi6@statefarm.com>

He also affirmed that we would save significant money if we consolidated our D&O with our GL, because every account must meet a minimum premium. This may explain why our D&O is so high.

And he opined another \$150 per year would buy us another \$1 million in liability. I point this out because of that sinkhole. I doubt \$1 million would be enough if a vehicle fell into the abyss.

Thanks again,

Charlie

From: Mike Wallace [<mailto:mikewallace.houston@gmail.com>]

Sent: Thursday, January 02, 2020 1:30 PM

To: Charles Nolan

Subject: Fwd: Insurance Invoices

Charlie,

Happy New Year.

Per your question on the budget call last month, attached are the three insurance invoices the HOA has paid.

In late 2018 (December) we managed to secure D&O coverage using Leavitt Group but the underwriter (USLIC) was not able to provide General Liability coverage due to our low cash reserves. Leavitt Group tried to secure with some other underwriters but was unsuccessful.

When you connected me up with the State Farm agent, we were finally able to secure the General Liability and fire/casualty coverage in 2019.

We currently pay \$1107 annually for GL coverage and \$803 annually for D&O coverage.

I will be sending these out to all members this month but wanted to forward to you directly, since it was your inquiry on the call.

Regards,

Mike